

Change of Control Payment

CareFirst

Executives with Contracts or COC

\$

Payment Triggers

Multiple of Salary plus Annual Incentive \$ 13,128,207 Double Trigger upon COC/Termination

Pro-rated Current Year Incentive \$ 416,061 Double Trigger upon COC/Termination

Subtotal COC Cash Payments \$ 13,544,268

Personal & Health Benefits \$ 514,957 Double Trigger upon COC/Termination

Total COC Cash & Benefits \$ 14,059,225

- ☐ *Contractual Obligation Includes Payment of Excise Tax and Related Gross-Up.*
- ☐ *Pays Out Upon Termination in Connection with a Change of Control and Substantial Diminution of Duties*





CareFirst

Critical Deal Points - By Category

Pacific vs. CareFirst

- Associate Benefits
- Retention Bonus
- Merger Incentive and Excise Tax



Associate Benefit Differences

CareFirst

☐ Incentives

- Does Not Offer Incentives to Lower Level Associates

☐ Health

- Less Benefits with Prices Significantly Higher

☐ Time Off

- Shorter Service associates to receive 3 additional days PTO
- Work Week extended to 40 hours (from 37.5)
- Disability Benefits Less

☐ Retirement

- Does Not Recognize Regional Differences in Retirement Benefits
- Overall Retirement Package 25-50% Lower than CareFirst
- No Retiree Medical Benefits
- Stock Purchase Plan
- Occasional Stock Grants to Reward Profitability in 401(k) Plan



Impact on Associates

CareFirst

Less than Age 45

Age 45 or Greater

Less than 10 Yrs of Svc

47% of Total Associates
Average Associate:
\$34,000 Annual Salary
Age 32 w/ 3 Yrs of Svc

Health: (94)
Paid Time Off: 28
Retirement: (8)
Incentives: (113)

(187) -7% of pay

12% of Total Associates
Average Associate:
\$48,500 Annual Salary
Age 50 w/ 3.5 Yrs of Svc

Health: (94)
Paid Time Off: (6)
Retirement: (168)
Incentives: (243)

(510) -13% of pay

10 or More Yrs of Svc

21% of Total Associates
Average Associate:
\$49,000 Annual Salary
Age 39 w/ 14.5 Yrs of

Health: (94)
Paid Time Off: (6)
Retirement: 1
Incentives: (245)

(344) -8% of pay

20% of Total Associates
Average Associate:
\$58,000 Annual Salary
Age 51 w/ 20.5 Yrs of

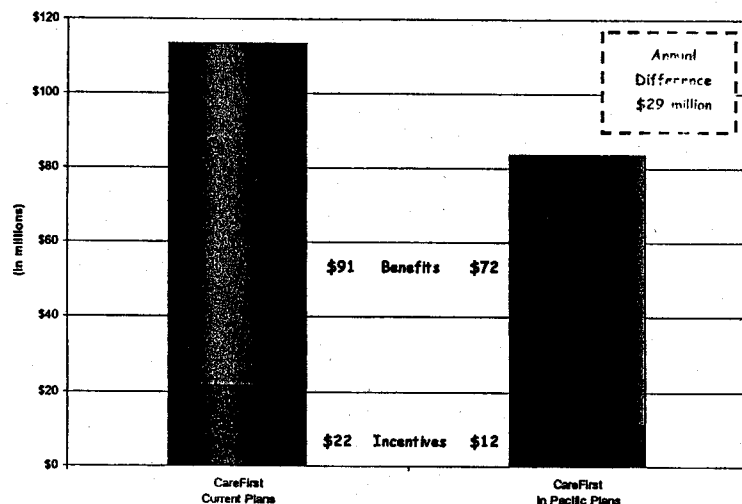
Health: (94)
Paid Time Off: (7)
Retirement: (188)
Incentives: (387)

(676) -14% of pay



Annual Benefit Differences

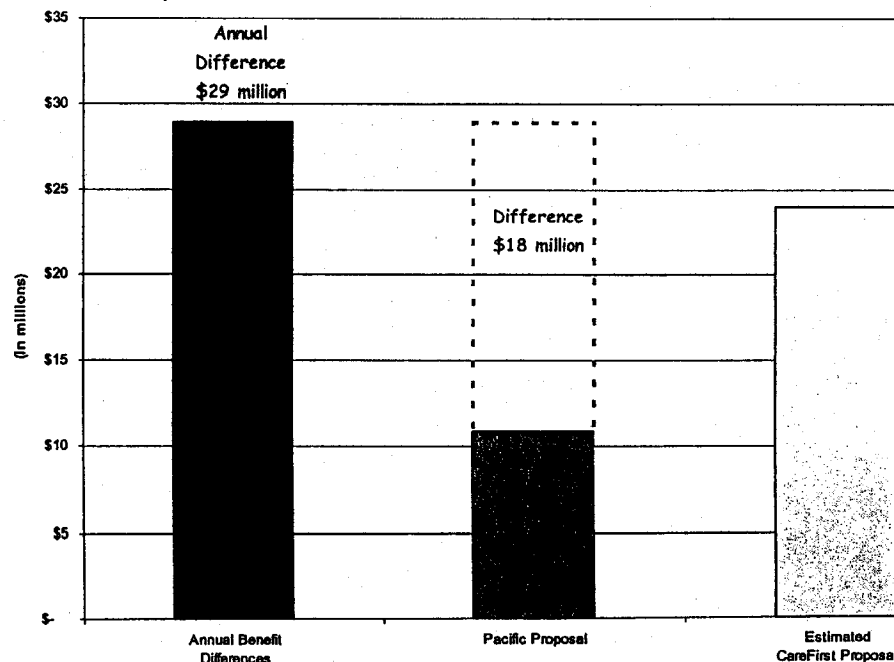
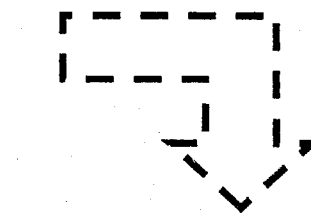
CareFirst



Pacific Proposal (in millions)
 • Increase in Pension
 • Increase in Health Benefits
 • Increase in Incentives

CareFirst Proposals

- Formalize 401(k) Profit Sharing
- More Extensive Pension Grandfathering
- Manage Health Benefit Differences



OCC 016537